

Message Text

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ACTION AF-08

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FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 3321

INFO AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY MOGADISCIO

AMEMBASSY PARIS

AMEMBASSY SANA

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E.O. 11652: N/A

TAGS: PDEV ECON FT ET SO FR

SUBJECT: FTAI APPROACHES INDEPENDENCE

REF A. ADDIS ABABA 1350 B. ADDIS ABABA 1627 C. STATE 061061

1. INTRODUCTION AND SUMMARY: EMBOFF DONNELLY VISITED DJIBOUTI

MARCH 22 - 26. THIS MESSAGE PROVIDES REPORT ON

CURRENT POLITICAL AND ECONOMIC SITUATION IN THE FTAI.

DETAILED ECONOMIC REPORT WILL FOLLOW BY AIRGRAM.

WHILE MANY EXPATRIATES EXPRESSED DISAPPOINTMENT THAT

RECENT PARIS CONFERENCE HAD NOT RESULTED IN SPECIFIC

AGREEMENTS COVERING POST-INDEPENDENCE COOPERATION

BETWEEN FTAI AND FRANCE, MOST WERE OPTIMISTIC THAT

TALKS HAD LAID BASIS FOR SUBSEQUENT NEGOTIATIONS

BETWEEN FRANCE AND LOCAL GOVERNMENT WHICH WILL

EMERGE FROM MAY 8 ELECTIONS. GENERAL VIEW IS THAT

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FRENCH MILITARY PRESENCE AND ECONOMIC AND TECHNICAL

ASSISTANCE WILL BE MAINTAINED AT NEARLY PRE-INDEPENDENCE

LEVELS. THERE IS CLEAR CONSENSUS THAT LPAI WILL WIN

ELECTION WITH HASSAN GOULED BECOMING FIRST PRESIDENT

OF INDEPENDENT DJIBOUTI. ECONOMY OF FTAI REMAINS

ALMOST TOTALLY ARTIFICIAL AND HENCE FRAGILE. WHILE

DOMINANT THEME IN DJIBOUTI BUSINESS COMMUNITY IS ONE

OF UNCERTAINTY, EMBOFF DETECTED MORE HOPEFUL MOOD THAN HE HAD OBSERVED DURING PREVIOUS VISIT IN APRIL 1976. ALTHOUGH MERCHANTS ARE RUNNING DOWN STOCKS, RELATIVELY FEW HAVE LEFT FTAI, PREFERRING TO WAIT AND SEE WHAT INDEPENDENCE BRINGS. PORT AND RAILROAD CONTINUE TO FUNCTION NORMALLY AND SHOULD CONTINUE TO DO SO AFTER INDEPENDENCE GIVEN REASONABLE DEGREE OF POLITICAL STABILITY. IF FRENCH PRESENCE AND ASSISTANCE ARE MAINTAINED, COMMERCIAL ACTIVITY (ALBEIT ARTIFICIAL) IN TERRITORY SHOULD INCREASE FROM CURRENT SLUMP. TWO FRENCH NAVY DESTROYERS AND SEVERAL SMALLER MILITARY SHIPS ARE CURRENTLY IN DJIBOUTI PORT AND ARE EXPECTED TO REMAIN THERE THROUGH THE NEXT FEW MONTHS. AIRCRAFT CARRIER CLEMENCEAU (USED IN FRENCH EVACUATION FROM COMOROS) IS EXPECTED IN DJIBOUTI BY MID-APRIL. END INTRODUCTION AND SUMMARY.

2. POLITICAL SITUATION. DURING THREE WORKING DAYS IN DJIBOUTI EMBOFF MET WITH BUSINESSMEN AND FRENCH OFFICIALS INVOLVED IN ECONOMIC MATTERS AS WELL AS WITH DEPUTY (AND ACTING) HIGH COMMISSIONER LOYZANCE. WHILE ALL THOSE CONTACTED EMPHASIZED UNCERTAINTY OF THE CURRENT POLITICAL SITUATION, MOST EXPRESSED CONSIDERABLY GREATER OPTIMISM THAN EMBOFF HAD ENCOUNTERED WHEN HE VISITED FTAI IN APRIL 1976. CONSIDERABLE APPREHENSION HAD EXISTED DURING 1976 THAT FRANCE WOULD SIMPLY GRANT FTAI INDEPENDENCE AND "WALK AWAY." THIS FEAR WAS GREATEST FOLLOWING THE RESIGNATION OF ALI AREF LAST JULY. DURING LIMITED OFFICIAL USE

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RECENT VISIT, NO ONE RAISED THE POSSIBILITY THAT SOMALIA MIGHT INVADE OR OTHERWISE ATTEMPT TO DOMINATE FTAI, FEAR MANY HAD EXPRESSED ONE YEAR AGO. A FEW PERSONS EXPRESSED CONCERN THAT ETHIOPIA MIGHT ATTEMPT TAKE-OVER OF FTAI, BUT GENERAL CONSENSUS WAS THAT BOTH NEIGHBORS WOULD LEAVE THE FTAI ALONE, AT LEAST INITIALLY. NO ONE EXPECTS GOVERNMENT WHICH EMERGES FROM ELECTIONS TO "ASK" NEIGHBORING STATE TO ABSORB FTAI IN LIGHT OF INSURMOUNTABLE PROBLEMS, ANOTHER THEORY HEARD A YEAR AGO. NOW, MOST BUSINESSMEN BELIEVE THAT DJIBOUTI HAS AT LEAST "REASONABLE CHANCE" AS INDEPENDENT NATION PROVIDED FRANCE MAINTAINS ITS MILITARY PRESENCE AND CONTINUES ECONOMIC AND TECHNICAL ASSISTANCE AT APPROXIMATELY PRE-INDEPENDENCE LEVELS. (FYI - KNOWLEDGEABLE DJIBOUTI BANKER ESTIMATED THAT TOTAL PRESENCE IN FTAI CURRENTLY COSTING FRANCE OVER US\$150 MILLION. END FYI) BUSINESSMEN WERE DISAPPOINTED THAT SPECIFIC AGREEMENTS ON SUB-

JECTS SUCH AS THE LEVEL OF POST-INDEPENDENCE FRENCH MILITARY PRESENCE, CONDITIONS OF A DEFENSE AGREEMENT, FRENCH GOVERNMENT BACKING FOR DJIBOUTI FRANC AS CONVERTIBLE CURRENCY IN DOLLAR ZONE, AND THE LEVEL OF FRENCH ECONOMIC ASSISTANCE DID NOT EMERGE FROM RECENT PARIS DISCUSSIONS. HOWEVER, BUSINESS COMMUNITY GENERALLY EXPECTS THAT FRENCH GOVERNMENT WILL BE FORTHCOMING ON THESE ISSUES AND WILL THUS GIVE POLITICAL AND ECONOMIC SITUATION DEGREE OF STABILITY.

3. ACTING FRENCH HIGH COMMISSIONER ALEXANDRE LOYZANCE SAID HE REGRETTED THAT ELECTION OF NEW TERRITORIAL ASSEMBLY WOULD BE HELD ON MAY 8 ALONG WITH REFERENDUM. HE STATED HE AGREED WITH SENTIMENT ORIGINALLY EXPRESSED BY ABDULLAH KAMIL IN FAVOR OF POSTPONING ELECTIONS AND PROCEEDING TO LIMITED OFFICIAL USE

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INDEPENDENCE WITH CURRENT GOVERNMENT ON INTERIM BASIS. NEVERTHELESS, LOYZANCE EXPRESSED OPTIMISM THAT TRANSFER TO INDEPENDENCE WILL BE REASONABLY SMOOTH. HE ADDED THAT IMMEDIATELY FOLLOWING INDEPENDENCE, PRESUMABLY SYMBOLICALLY ON MORNING OF JUNE 28, HIGH COMMISSIONER D'ORNANO AND LOYZANCE WOULD DEPART FOR PARIS TO BE REPLACED BY A "NEW TEAM" TO ESTABLISH FRENCH EMBASSY.

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4. SOME OBSERVERS ARE CONCERNED OVER SET-UP FOR ELECTIONS AGREED TO IN PARIS. EACH PARTY WILL PRESENT LIST OF 65 CANDIDATES (29 FROM THE CITY OF DJIBOUTI AND 36 DIVIDED AMONG THE FOUR OUTLYING "CERCLES"). PARTY WHICH WINS PLURALITY OF TERRITORY-WIDE VOTE WILL RECEIVE ALL 76 SEATS IN THE NEW ASSEMBLY. MOST OBSERVERS IN DJIBOUTI EXPECT THE LPAI TO EMERGE WITH A PLURALITY AND THUS GAIN ALL 65 SEATS. AT THE TIME EMBOFF WAS IN DJIBOUTI, IT WAS NOT CLEAR WHICH PARTIES AND/OR COALITIONS WOULD PARTICIPATE IN ELECTION. ELECTION FORMAT COULD LEAD TO LPAI REPRESENTATIVES FROM AFAR AREAS IN NORTHERN SECTION OF THE TERRITORY WHERE THAT PARTY IS BELIEVED TO HAVE LITTLE POPULAR SUPPORT. ALSO, THERE WILL BE NO OPPOSITION PARTIES REPRESENTED IN THE ASSEMBLY, WHICH MIGHT LEAD TO PROBLEMS CAUSED BY GROUPS TOTALLY SHUT OUT OF THE LIMITED OFFICIAL USE

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POLITICAL PROCESS. KEY QUESTIONS SEEM TO BE WHAT SORT OF A SLATE THE LPAI WILL PUT FORWARD AND ITS WILLINGNESS TO INCORPORATE APPROPRIATE AFAR CANDIDATES, AND WILLINGNESS OF MODERATE AFARS TO ACCEPT POSITIONS ON LPAI TICKET. SITUATION REGARDING ELECTION MAY BE CLARIFIED FOLLOWING CURRENT ACCRA CONFERENCE. EMBASSY ALSO NOTES THAT ABDULLAH KAMIL DID NOT ABSENT HIMSELF FROM PARIS CONFERENCE. IN ANY EVENT, IT IS THE CLEAR CONSENSUS AMONG EXPATRIATE OBSERVERS IN THE FTAI THAT THE LPAI AND HASSAN GOULED WILL EMERGE VICTORIOUS. EVERYONE EXPECTS REFERENDUM ITSELF TO RESULT IN DECISIVE VOTE FOR INDEPENDENCE.

5. ECONOMIC SITUATION: ECONOMY OF FTAI REMAINS ARTIFICIAL, BASED ON FRENCH PRESENCE PLUS ACTIVITIES OF PORT AND RAILROAD. TERRITORY IS WITHOUT NATURAL RESOURCES AND HAS NO INDUSTRY. ECONOMIC INTERESTS OF FTAI MUCH MORE INTIMATELY TIED TO ETHIOPIA THAN TO SOMALIA, FUNCTIONING AS IMPORTANT ENTREPOT FOR ETHIOPIAN TRADE AND IMPORTING AGRICULTURAL PRODUCE FROM ETHIOPIA. FTAI HAS ONLY

MINIMAL ECONOMIC LINKS WITH SOMALIA AND VERY LIMITED POTENTIAL FOR EXPANSION IN SUCH RELATIONS. GENERAL BELIEF IN DJIBOUTI IS THAT IN ADDITION TO MAINTAINING A MILITARY PRESENCE IN FTAI, FRENCH WILL CONTINUE TO SUPPLY TECHNICAL ASSISTANCE AND BUDGET SUPPORT AT APPROXIMATELY PRE-INDEPENDENCE LEVELS FOR THE NEXT FEW YEARS. INDEPENDENT STATE WILL LOOK TO OTHER DONORS INCLUDING SAUDI ARABIA, US AND EUROPEANS FOR ASSISTANCE IN FINANCING DEVELOPMENT PROJECTS.

6. MERCHANTS IN FTAI ARE RUNNING DOWN STOCKS AS PRECAUTION PENDING CLARIFICATION OF POST-INDEPENDENCE SITUATION, BUT ONLY GREEK AND YEMENI BUSINESS LIMITED OFFICIAL USE

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COMMUNITIES HAVE DECREASED NOTICEABLY IN NUMBERS. MANY YEMENIS HAVE MOVED TO SANA OWING TO PICK-UP IN ECONOMIC ACTIVITY IN YAR AND UNCERTAINTY IN FTAI. OTHER BUSINESSMEN IN DJIBOUTI INTEND TO STAY AND SEE WHAT INDEPENDENCE BRINGS. IF THE SITUATION IS STABLE, IMPORTS SHOULD INCREASE IN LATTER HALF OF 1977. THERE HAS BEEN ALMOST NO INVESTMENT BY PRIVATE SECTOR IN PAST TWO YEARS. AS A RESULT, CONSTRUCTION FIRMS HAVE CLOSED DOWN AT LEAST TEMPORARILY. UNLIKELY THAT INCREASES IN PRIVATE INVESTMENT WOULD SOON FOLLOW INDEPENDENCE, BUT WOULD BE CONCEIVABLE IF THE SITUATION REMAINS STABLE FOR SOME PERIOD. PUBLIC SECTOR INVESTMENT WILL DEPEND UPON FOREIGN ASSISTANCE FOLLOWING INDEPENDENCE. PORT AND THE RAILROAD ARE FUNCTIONING REASONABLY WELL.

7. MILITARY: FRENCH NAVAL PRESENCE IN DJIBOUTI PORT HAS INCREASED MARKEDLY IN THE PAST MONTH. TWO DESTROYERS AND SEVERAL SMALLER MILITARY SHIPS NOT NORMALLY STATIONED IN DJIBOUTI ARE BERTHED IN PROMINENT POSITION IN DJIBOUTI HARBOR. AIRCRAFT CARRIER CLEMENCEAU WHICH WAS INVOLVED IN FRENCH EVACUATION FROM COMOROS IS REPORTEDLY DUE TO ARRIVE BY MID-APRIL. IT IS GENERALLY BELIEVED THAT NAVAL FORCE, WHICH IS FORMALLY EXPLAINED AS BEING ON "INDIAN OCEAN MANEUVERS", WILL REMAIN IN FTAI UNTIL INDEPENDENCE AS REASSURANCE TO FRENCH COMMUNITY AND AS REINFORCEMENT TO FRENCH TROOPS IN EVENT SERIOUS PROBLEMS BREAK OUT DURING THE NEXT THREE MONTHS.

8. CONSULAR REPRESENTATION: IN ADDITION TO ETHIOPIAN, SOMALIAN AND YAR CONSULATES ESTABLISHED IN DJIBOUTI FOR SOME TIME, SOUTH YEMEN AND EGYPT

HAVE ARRIVED TO OPEN OFFICES. SAUDI ARABIA MISSION
EAGERLY AWAITED BY LOCAL OFFICIALS INCLUDING DEPUTY
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HC LOYZANCE. ESTABLISHMENT OF US CONSULATE WILL
BE WARMLY RECEIVED BY LOCAL OFFICIALS AND BUSINESS
COMMUNITY.
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